

AMERIGROUP[®]

C O R P O R A T I O N

April 18, 2008

Steven Gore, CPA
TennCare Examiner
Department of Commerce & Insurance
TennCare Division
500 James Robertson Parkway, Suite 750
Nashville, TN 37243-1169

Re: Review of the 2007 Annual NAIC Statement for AMERIGROUP Tennessee, Inc.
("AGP") ABACUS Matter #07-159

Dear Mr. Gore:

The following are AMERIGROUP Tennessee Inc.'s (the "Company") written responses to your letter dated April 2, 2008.

1. AGP reported \$10,578,766 as "Uncollected Premiums and agents' balances in the course of collection". This amount is comprised of \$8,580,286 for TennCare Capitation withholds, \$2,000,000 for retroactive eligibility, and \$(1,520) as an immaterial withhold adjustment. AGP explained to TDCI the \$2,000,000 retroactive eligibility receivable is based upon AGP's previous months' analyses of additional eligibility for the reporting period paid after the statement closing date. Recognition of this receivable is contrary to statutory accounting principles of conservatism, consistency, and recognition. In determining premium revenues for TennCare operations, TDCI only recognizes the verifiable premium revenues from capitation and withhold lists provided by the Bureau of TennCare at the statement date of December 31, 2007. TDCI has non-admitted the entire \$2,000,000 retroactive receivable as a desk review adjustment. AGP should amend the 2007 NAIC Annual Statement to eliminate the retroactive receivable and related premium revenue. TDCI expects the amendment of the statement of Revenue and Expenses will reflect a smaller effect than \$2,000,000 on net income and net worth because medical administrative expense accruals related to the retroactive premium receivable should have also been recorded by AGP to match related revenues and expenses.

***Response:** AGP believes the \$2,000,000 of accrued premium receivable is appropriate due to the consistent pattern of retroactive premium paid and this amount can be validated prior to the filing date. Further, AGP processes daily enrollment from the State and these members are considered when determining our medical liability at end of each month. We understand the position of TDCI and have*

requested statutory accounting reference for our files on this matter. Therefore, at your direction, we have reversed this accrual. We are not adjusting medical because of the actuarial opinion on our reserves at December 31, 2007. The \$2,000,000 retroactive receivable has been eliminated from both Premium Receivable and Net premium income. Originally, we had reported the Uncollected premiums and agents' balances in the course of collection as \$10,578,766 and the Net premium income as \$384,864,891. These amounts were adjusted accordingly.

2. AGP reported "None" to the Notes to Financial Statements Note 18 "Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans". However, AGP has Administrative Services Only (ASO) operations in the West Tennessee Grand Region and in the Middle Tennessee Grand Region. NAIC instructions to the 2007 Annual Statement filing requires certain disclosures regarding the profitability to the reporting entity of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an administrator. AGP should explain why AGP's response was "None" and amend the Statement to correct this deficiency.

Response: *AMERIGROUP Tennessee, Inc.'s profitability in ASO operations in West Tennessee Grand Region and in the Middle Tennessee Grand Region is presently disclosed in the Notes to Financial Statements Note 18 (Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans). The Note includes all disclosures required by the NAIC and has been amended from the prior filing response "NONE."*

3. On Exhibit 6 – Amounts due to Parent, Subsidiaries and Affiliates, AGP reported a payable to AMERIGROUP Health Solutions, Inc. TDCI understands that this is a result of AGP'S purchase of Memphis Managed Care Corporation. However, this transaction was not disclosed as part of the Notes to Financial Statements Note 10 "Information Concerning Parent, Subsidiaries and Affiliates" and Schedule Y Part 2 – Summary of Insurer's Transactions with any Affiliates. Also, AMERIGROUP Health Solutions, Inc., is not reported as a member of AMERIGROUP Corporation on Schedule Y Part 1 – Organizational Chart. An organizational chart submitted on September 13, 2007, as part of the purchase agreement indicated AMERIGROUP Health Solutions, Inc., was a subsidiary of AMERIGROUP Corporation. AGP should explain why this is not reported on the various schedules and amend the Statement to correct this deficiency.

Response: *Schedule Y Part 1 (Organizational Chart) was revised to include AMERIGROUP Health Solutions, Inc., an affiliate of AMERIGROUP Tennessee, Inc. Also, as of December 31, 2007, the company owed AMERIGROUP Health Solutions \$305,480 for disease management services. Therefore, Schedule Y Part 2 (Summary of Insurer's Transactions with any Affiliates) and Notes to Financial Statements Note 10 (Information Concerning Parent, Subsidiaries and Affiliates) were amended to disclose this affiliate payable.*

4. Currently all of AGP's West Tennessee Grand Region assigned enrollees are covered through a non-risk agreement with the Bureau of TennCare. AGP correctly does not report premiums or medical expenses for the ASO product on the Statement of Revenue and Expenses. However, member months are incorrectly reported for enrollees related to the ASO product on this statement. Additionally, Exhibit 1, Five-Year Historical Data and Exhibit of Premiums, Enrollment and Utilization (a) of the annual financial statements should not reflect ASO membership, AGP should amend the Statement to correct this deficiency.

Response: *Member months associated with AMERIGROUP West Tennessee Grand Region's ASO product have been excluded. The pages that were affected were adjusted accordingly.*

Sincerely,



Bette L. Gronseth
Associate Vice President
AMERIGROUP Corporation

ANNUAL STATEMENT
OF THE
AMERIGROUP Tennessee, Inc.

of
Nashville
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

For the Year Ending
December 31, 2007

2007



ANNUAL STATEMENT
For the Year Ending December 31, 2007
OF THE CONDITION AND AFFAIRS OF THE
AMERIGROUP Tennessee, Inc.

NAIC Group Code	1156 (Current Period)	1156 (Prior Period)	NAIC Company Code	12941	Employer's ID Number	20-4776597
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[] Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[] Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]					
Incorporated/Organized	04/26/2006		Commenced Business	04/01/2007		
Statutory Home Office	22 Century Boulevard, Ste 310 (Street and Number)		Nashville, TN 37214 (City or Town, State and Zip Code)			
Main Administrative Office	4425 Corporation Lane (Street and Number)		Virginia Beach, VA (City or Town, State and Zip Code)			
Mail Address	4425 Corporation Lane (Street and Number or P.O. Box)		Virginia Beach, VA 23462 (City or Town, State and Zip Code)			
Primary Location of Books and Records	4425 Corporation Lane (Street and Number)		Virginia Beach, VA 23462 (City or Town, State and Zip Code)			
Internet Website Address	www.amerigroupcorp.com		(Area Code) (Telephone Number)			
Statutory Statement Contact	Margaret Mary Roomsburg (Name) mroomsb@amerigroupcorp.com (E-Mail Address)		(757)473-2721 (Area Code)(Telephone Number)(Extension) (757)557-6742 (Fax Number)			

OFFICERS

Name	Title
Charles Brian Shipp	CEO/President
Lorena Jean Stanley	COO/Vice President
Stanley Forrest Baldwin	Secretary/Vice President
Nicholas Joseph Pace, II	Asst Secretary/ Vice President
Richard Charles Zoretic	Asst Secretary/Vice President #
Scott Wayne Anglin	Treasurer/Vice President #
James Ward Truess	Asst Treasurer/Vice President #
Karen Lint Shields	Asst Treasurer/Vice President
Carol Ann Churchill, M.D.	Medical Director/Vice President

OTHERS

Lori-Don McNamee Gregory, Asst Secretary
Margaret Mary Roomsburg, Vice President

Catherine Smith Callahan, Vice President
William Gardner Wood, M.D., Vice President

DIRECTORS OR TRUSTEES

Charles Brian Shipp
James Hui Teck Tan, M.D. #

Nicholas Joseph Pace, II

State of Virginia
County of Virginia Beach ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Charles Brian Shipp	Stanley Forrest Baldwin	Margaret Mary Roomsburg
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President/CEO	Vice President/Secretary	Vice President
(Title)	(Title)	(Title)

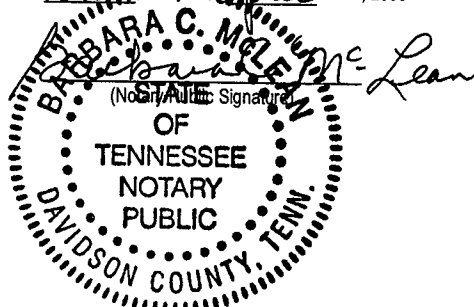
Subscribed and sworn to before me this 16th day of April, 2008

- a. Is this an original filing?
b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[] No[X]

1

04/18/2008



My Commission Expires JAN. 23, 2010

Subscribed and sworn to before me this 18th day of April, 2008

Reg # 290334

Amended Statement Cover

1. Per instruction of TDCI, the entire \$2,000,000 retroactive receivable along with the related 8,000 member months were eliminated from Premium Receivable, Premium Revenue, and Member Months Total. In addition, member months have been corrected to exclude enrollees related to the ASO product. The pages affected by these changes include:

Page 2 ASSETS

Page 3 LIABILITIES, CAPITAL AND SURPLUS

Page 4 STATEMENT OF REVENUE AND EXPENSES

Page 5 STATEMENT OF REVENUE AND EXPENSES (Continued)

Page 7 ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

Page 8 UNDERWRITING AND INVESTMENT EXHIBIT Part 1- Premium

Page 12 UNDERWRITING AND INVESTMENT EXHIBIT Part 2C – Development of Paid and Incurred Health Claims (000 Omitted)

Page 17 Exhibit 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Page 25 Notes to the Financial Statements

Page 29 FIVE – YEAR HISTORICAL DATA

Page 30 EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

Page 50 SCHEDULE T – PREMIUMS AND OTHER CONSIDERATIONS ALLOCATED BY STATES AND TERRITORIES

Page 52 INFORMATION CONCERNING ACTIVITIES OF INSURER

Page 53 SCHEDULE Y (CONTINUED) PART 2 – SUMMARY OF INSURERS' TRANSACTIONS WITH ANY AFFILIATES

Supp2 SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

2. Notes to Financial Statements Note 18 (Page 25, Gain or loss to the Reporting Entity from Uninsured plans and the Uninsured Portion of Partially Insured Plans) have been amended to disclose the ASO Operations in the West Tennessee Grand Region and in the Middle Tennessee Grand Region.
3. Notes to Financial Statement Note 10 (Page 25, Information Concerning Parent, Subsidiaries and Affiliates) were revised to include AMERIGROUP Health Solutions, Inc. payable.
4. Schedule Y (Page 52, Information Concerning Activities of Insurer) was amended to include AMERIGROUP Health Solutions, Inc.
5. Schedule Y (Continued) Part 2 (Page 53, Summary of Insurers' Transactions with any Affiliates) now discloses the Service Agreement Amount of \$305,480 from AMERIGROUP Health Solutions.

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)	24,095,124		24,095,124	
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....4,943,933 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....65,869,993 Schedule DA)	70,813,926		70,813,926	
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	94,909,050		94,909,050	
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	647,933		647,933	
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection	8,578,766		8,578,766	
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software	2,558,476	1,929,504	628,972	
19.	Furniture and equipment, including health care delivery assets (\$.....0)	2,280,700	2,280,700		
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				
22.	Health care (\$.....2,838,088) and other amounts receivable	4,145,112	1,307,024	2,838,088	
23.	Aggregate write-ins for other than invested assets	10,133,053	10,133,053		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	123,253,090	15,650,281	107,602,809	
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	123,253,090	15,650,281	107,602,809	
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Prepaid Expenses	165,639	165,639		
2302.	Goodwill and Intangibles	9,967,414	9,967,414		
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	10,133,053	10,133,053		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1	2	3	4
		Covered	Uncovered	Total	Total
1.	Claims unpaid (less \$.....0 reinsurance ceded)	72,252,049		72,252,049	
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	1,857,512		1,857,512	
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	225,254		225,254	
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	5,830,783		5,830,783	261,411
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				
21.	Aggregate write-ins for other liabilities (including \$.....0 current)	3,376,097		3,376,097	
22.	Total liabilities (Lines 1 to 21)	83,541,695		83,541,695	261,411
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	66,613,358	
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(42,553,244)	(261,411)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	24,061,114	(261,411)
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	107,602,809	
DETAILS OF WRITE-INS					
2101.	Accrued Expenses - Current	1,208,518		1,208,518	
2102.	Accrued Premium Tax	2,048,900		2,048,900	
2103.	Non Risk Payable	118,679		118,679	
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	3,376,097		3,376,097	
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	1,642,504	
2.	Net premium income (including \$.....0 non-health premium income)	X X X	382,864,891	
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	382,864,891	
Hospital and Medical:				
9.	Hospital/medical benefits		243,319,790	
10.	Other professional services		6,589,154	
11.	Outside referrals			
12.	Emergency room and out-of-area		32,329,994	
13.	Prescription drugs		194	
14.	Aggregate write-ins for other hospital and medical		77,388,415	
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		359,627,547	
Less:				
17.	Net reinsurance recoveries		(1,147,753)	
18.	Total hospital and medical (Lines 16 minus 17)		360,775,300	
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....8,639,356 cost containment expenses		10,471,572	
21.	General administrative expenses		41,393,542	261,411
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		412,640,414	261,411
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(29,775,523)	(261,411)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		3,115,015	
26.	Net realized capital gains (losses) less capital gains tax of \$.....0		18,956	
27.	Net investment gains (losses) (Lines 25 plus 26)		3,133,971	
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(26,641,552)	(261,411)
31.	Federal and foreign income taxes incurred	X X X		
32.	Net income (loss) (Lines 30 minus 31)	X X X	(26,641,552)	(261,411)
DETAILS OF WRITE-INS				
0601.	.....	X X X		
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Home Health Care, DME, Transportation, Etc.		77,388,415	
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		77,388,415	
2901.	.....		
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	(261,411)	
34.	Net income or (loss) from Line 32	(26,641,552)	(261,411)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		
39.	Change in nonadmitted assets	(15,650,281)	
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in	1,000	
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in	66,613,358	
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	24,322,525	(261,411)
49.	Capital and surplus end of reporting year (Line 33 plus 48)	24,061,114	(261,411)
DETAILS OF WRITE-INS			
4701.	.....	
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	374,286,125	
2.	Net investment income	2,486,038	
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	376,772,163	
5.	Benefit and loss related payments	288,811,363	
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	49,132,035	
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	337,943,398	
11.	Net cash from operations (Line 4 minus 10)	38,828,765	
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	11,000,000	
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	11,000,000	
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	35,076,168	
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications	18,956	
13.7	Total investments acquired (Lines 13.1 to 13.6)	35,095,124	
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(24,095,124)	
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock	66,501,000	
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(10,420,715)	
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	56,080,285	
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	70,813,926	
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year		
19.2	End of year (Line 18 plus Line 19.1)	70,813,926	

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	Depreciation	536,955	
20.0002	Non-cash Capital Contributions	113,358	

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	382,864,891							382,864,891		
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)										XXX
4. Risk revenue										XXX
5. Aggregate write-ins for other health care related revenues										XXX
6. Aggregate write-ins for other non-health care related revenues		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
7. Total revenues (Lines 1 to 6)	382,864,891							382,864,891		
8. Hospital/medical benefits	243,319,790							243,319,790		XXX
9. Other professional services	6,589,154							6,589,154		XXX
10. Outside referrals										XXX
11. Emergency room and out-of-area	32,329,994							32,329,994		XXX
12. Prescription drugs	194							194		XXX
13. Aggregate write-ins for other hospital and medical	77,388,415							77,388,415		XXX
14. Incentive pool, withhold adjustments and bonus amounts										XXX
15. Subtotal (Lines 8 to 14)	359,627,547							359,627,547		XXX
16. Net reinsurance recoveries	(1,147,753)							(1,147,753)		XXX
17. Total hospital and medical (Lines 15 minus 16)	360,775,300	XXX	XXX	XXX	XXX	XXX	XXX	360,775,300	XXX	XXX
18. Non-health claims (net)										
19. Claims adjustment expenses including \$.....8,639,356 cost containment expenses										
20. General administrative expenses	10,471,572							10,471,572		
21. Increase in reserves for accident and health contracts	41,393,542							41,393,542		
22. Increase in reserves for life contracts		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
23. Total underwriting deductions (Lines 17 to 22)	412,640,414							412,640,414		
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(29,775,523)							(29,775,523)		
DETAILS OF WRITE-INS										
0501.										XXX
0502.										XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page										XXX
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0698. Summary of remaining write-ins for Line 6 from overflow page		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
1301. Home Health Care, DME, Transportation, Etc.	77,388,415							77,388,415		XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page										XXX
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	77,388,415							77,388,415		XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....	.....	.....	.....	.....
2. Medicare Supplement .....	.....	.....	.....	.....
3. Dental only .....	.....	.....	.....	.....
4. Vision only .....	.....	.....	.....	.....
5. Federal Employees Health Benefits Plan .....	.....	.....	.....	.....
6. Title XVIII - Medicare .....	.....	.....	.....	.....
7. Title XIX - Medicaid	382,864,891	.....	.....	382,864,891
8. Other health .....	.....	.....	.....	.....
9. Health subtotal (Lines 1 through 8)	382,864,891	.....	.....	382,864,891
10. Life .....	.....	.....	.....	.....
11. Property/casualty .....	.....	.....	.....	.....
12. TOTALS (Lines 9 to 11)	382,864,891	.....	.....	382,864,891

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	287,663,610							287,663,610		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded	(1,147,753)							(1,147,753)		
1.4 Net	288,811,363							288,811,363		
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	72,252,049							72,252,049		
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	72,252,049							72,252,049		
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)	288,112							288,112		
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct										
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net										
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	359,627,547							359,627,547		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded	(1,147,753)							(1,147,753)		
12.4 Net	360,775,300							360,775,300		
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....3,857,000 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct	13,491,732							13,491,732		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	13,491,732							13,491,732		
2. Incurred but Unreported:										
2.1 Direct	58,760,317							58,760,317		
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	58,760,317							58,760,317		
3. Amounts Withheld from Paid Claims and Capitulations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct	72,252,049							72,252,049		
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	72,252,049							72,252,049		

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare		288,811,363				
7. Title XIX - Medicaid		288,811,363		72,252,049		
8. Other health						
9. Health subtotal (Lines 1 to 8)		288,811,363		72,252,049		
10. Healthcare receivables (a)		288,112				
11. Other non-health						
12. Medical incentive pool and bonus amounts						
13. TOTALS (Lines 9 - 10 + 11 + 12)		288,523,251		72,252,049		

(a) Excludes \$3,857,000 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior						
2. 2003						
3. 2004		X X X				
4. 2005		X X X	X X X			
5. 2006		X X X	X X X	X X X		
6. 2007		X X X	X X X	X X X	X X X	288,811

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior						
2. 2003						
3. 2004		X X X				
4. 2005		X X X	X X X			
5. 2006		X X X	X X X	X X X		
6. 2007		X X X	X X X	X X X	X X X	361,063

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2003											
2. 2004											
3. 2005											
4. 2006		382,865	288,811	8,614	2.982	297,425	77.684	72,252	1,858	371,535	97.041
5. 2007											

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare	NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Title XIX - Medicaid

Section A - Paid Health Claims

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior					
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	288,811

Section B - Incurred Health Claims

	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2003	2 2004	3 2005	4 2006	5 2007
1.	Prior					
2.	2003					
3.	2004	X X X				
4.	2005	X X X	X X X			
5.	2006	X X X	X X X	X X X		
6.	2007	X X X	X X X	X X X	X X X	361,063

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

	1	2	3	4	5	6	7	8	9	10
Years in Which Premiums were Earned and Claims were Incurred	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007	382,865	288,811	8,614	2.982	297,425	77.684	72,252	1,858	371,535	97.041

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
		1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1.	Rent (\$.....0 for occupancy of own building)			1,129,653		1,129,653
2.	Salaries, wages and other benefits	7,245,229	1,774,953	20,926,869		29,947,051
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4.	Legal fees and expenses			280,070		280,070
5.	Certifications and accreditation fees					
6.	Auditing, actuarial and other consulting services			215,044		215,044
7.	Traveling expenses	49,524	2,054	510,495		562,073
8.	Marketing and advertising			166,263		166,263
9.	Postage, express and telephone	73,280		1,242,541		1,315,821
10.	Printing and office supplies	69,024		663,317		732,341
11.	Occupancy, depreciation and amortization			1,595,121		1,595,121
12.	Equipment					
13.	Cost or depreciation of EDP equipment and software			1,727,744		1,727,744
14.	Outsourced services including EDP, claims, and other services	23,826	54,271	2,999,203		3,077,300
15.	Boards, bureaus and association fees	502		746,940		747,442
16.	Insurance, except on real estate			819,502		819,502
17.	Collection and bank service charges	720,416		77,908		798,324
18.	Group service and administration fees					
19.	Reimbursements by uninsured plans			(3,869,409)		(3,869,409)
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes					
23.2	State premium taxes			7,697,298		7,697,298
23.3	Regulator authority licenses and fees					
23.4	Payroll taxes					
23.5	Other (excluding federal income and real estate taxes)			(144)		(144)
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses	457,555	938	4,465,127		4,923,620
26.	Total expenses incurred (Lines 1 to 25)	8,639,356	1,832,216	41,393,542		(a) 51,865,114
27.	Less expenses unpaid December 31, current year	1,857,512		225,254		2,082,766
28.	Add expenses unpaid December 31, prior year					
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	6,781,844	1,832,216	41,168,288		49,782,348
DETAILS OF WRITE-INS						
2501.	Benefit Enhancement, Recruitment, Contributions	457,555	938	4,465,127		4,923,620
2502.	.....				
2503.	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	457,555	938	4,465,127		4,923,620

(a) Includes management fees of \$.....25,461,567 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a)..... 628,751	..... 995,646
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a).....	.....
1.3	Bonds of affiliates	(a).....	.....
2.1	Preferred stocks (unaffiliated)	(b).....	.....
2.11	Preferred stocks of affiliates	(b).....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e)..... 1,838,331	..... 2,119,369
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 2,467,082	..... 3,115,015
11.	Investment expenses		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income .....		.....
16.	Total deductions (Lines 11 through 15) .....		.....
17.	Net Investment income (Line 10 minus Line 16) .....		..... 3,115,015
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....7,295 accrual of discount less \$.....0 amortization of premium and less \$.....87,883 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....270,905 accrual of discount less \$.....440 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	..... 18,956	.....	..... 18,956	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	.....	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	.....	.....	.....
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	..... 18,956	.....	..... 18,956	.....	.....
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset			
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software	1,929,504		(1,929,504)
19.	Furniture and equipment, including health care delivery assets	2,280,700		(2,280,700)
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates			
22.	Health care and other amounts receivable	1,307,024		(1,307,024)
23.	Aggregate write-ins for other than invested assets	10,133,053		(10,133,053)
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	15,650,281		(15,650,281)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	15,650,281		(15,650,281)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Prepaid Expenses	165,639		(165,639)
2302.	Goodwill and Intangibles	9,967,414		(9,967,414)
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	10,133,053		(10,133,053)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	.....	.....	182,201	185,365	186,629	1,642,504
2.	Provider Service Organizations .....	.....	.....	.....	.....	.....	.....
3.	Preferred Provider Organizations .....	.....	.....	.....	.....	.....	.....
4.	Point of Service .....	.....	.....	.....	.....	.....	.....
5.	Indemnity Only .....	.....	.....	.....	.....	.....	.....
6.	Aggregate write-ins for other lines of business .....	.....	.....	.....	.....	.....	.....
7.	TOTAL .....	.....	.....	182,201	185,365	186,629	1,642,504
DETAILS OF WRITE-INS							
0601.	.....	.....	.....	.....	.....	.....	.....
0602.	.....	.....	.....	.....	.....	.....	.....
0603.	.....	.....	.....	.....	.....	.....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	.....	.....	.....	.....	.....	.....
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	.....	.....	.....	.....	.....	.....

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
0199999 Total individuals .....	.....	.....	.....	.....	.....	.....
0299998 Premium due and unpaid not individually listed .....	.....	.....	.....	.....	.....	.....
0299999 Total group .....	.....	.....	.....	.....	.....	.....
0399999 Premiums due and unpaid from Medicare entities .....	.....	.....	.....	.....	.....	.....
0499999 Premiums due and unpaid from Medicaid entities	4,315,055	4,265,232	.....	(1,521)	.....	8,578,766
0599999 Accident and health premiums due and unpaid (Page 2, Line 13) ..	4,315,055	4,265,232	.....	(1,521)	.....	8,578,766

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Claim Overpayment Receivables - Not Individually Listed	242,242	7,782			250,024	
0299999 Subtotal - Claim Overpayment Receivables	242,242	7,782			250,024	
Loans and Advances to Providers						
Generations Health Association, Inc.			100,000	500,000		600,000
0399998 Loans and Advances to Providers - Not Individually Listed	155,000	65,000	653,000	2,384,000	1,057,000	2,200,000
0399999 Subtotal - Loans and Advances to Providers	155,000	65,000	753,000	2,884,000	1,057,000	2,800,000
0499998 Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Other Receivables - Not Individually Listed	38,088					38,088
0699999 Subtotal - Other Receivables	38,088					38,088
0799999 Gross health care receivables	435,330	72,782	753,000	2,884,000	1,307,024	2,838,088

EXHIBIT 4 - CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)
Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered	4,987,559	5,167,483	1,817,148	699,342	820,200	13,491,732
0499999 Subtotals	4,987,559	5,167,483	1,817,148	699,342	820,200	13,491,732
0599999 Unreported claims and other claim reserves						58,760,317
0699999 Total Amounts Withheld						
0799999 Total Claims Unpaid						72,252,049
0899999 Accrued Medical Incentive Pool and Bonus Amounts						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
	NONE						
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Individually listed payables				
AMERIGROUP Corporation	Administrative Services	5,525,303	5,525,303	
AMERIGROUP Health Solutions, Inc.	Disease Management Services	305,480	305,480	
0199999 Total - Individually listed payables	X X X	5,830,783	5,830,783	
0299999 Payables not individually listed	X X X			
0399999 Total gross payables	X X X	5,830,783	5,830,783	

EXHIBIT 7 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

	1	2	3	4	5	6
Payment Method	Direct Medical Expense Payment	Column 1 as a % of Total Payments	Total Members Covered	Column 3 as a % of Total Members	Column 1 Expenses Paid to Affiliated Providers	Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups	468,250	0.163	1,650,504	884,377		468,250
2. Intermediaries						
3. All other providers	3,342,238	1.162				3,342,238
4. Total capitation payments	3,810,488	1.325	1,650,504	884,377		3,810,488
Other Payments:						
5. Fee-for-service						
6. Contractual fee payments	14,185,888	4.931	X X X	X X X		14,185,888
7. Bonus/withhold arrangements - fee-for-service	269,667,234	93.744	X X X	X X X		269,667,234
8. Bonus/withhold arrangements - contractual fee payments			X X X	X X X		
9. Non-contingent salaries			X X X	X X X		
10. Aggregate cost arrangements			X X X	X X X		
11. All other payments			X X X	X X X		
12. Total other payments	283,853,122	98.675	X X X	X X X		283,853,122
13. Total (Line 4 plus Line 12)	287,663,610	100.000	X X X	X X X		287,663,610

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1	2	3	4	5	6
NAIC Code	Name of Intermediary	Capitation Paid	Average Monthly Capitation	Intermediary's Total Adjusted Capital	Intermediary's Authorized Control Level RBC
NONE					
9999999			X X X	X X X	X X X

EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

	1	2	3	4	5	6
	Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1. Administrative furniture and equipment	2,547,240	.....	266,540	..... 2,280,700	..... 2,280,700	.....
2. Medical furniture, equipment and fixtures .....	.....	.....	.....	.....	.....	.....
3. Pharmaceuticals and surgical supplies .....	.....	.....	.....	.....	.....	.....
4. Durable medical equipment .....	.....	.....	.....	.....	.....	.....
5. Other property and equipment .....	.....	.....	.....	.....	.....	.....
6. Total	2,547,240	.....	266,540	..... 2,280,700	..... 2,280,700	.....

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The Financial Statements of AMERIGROUP Tennessee, Inc. (the Company) is presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance.

The Tennessee Department of Commerce and Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual, version effective March 1, 2007 (NAIC SSAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the report amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The Company records premium revenues based on its membership records and premiums rates for each membership category within each county. Premiums are due monthly and are recognized as revenue during the period in which the company is obligated to provide service to members.

In addition, the Company uses the following accounting policies.

- (1) Short-term investments are stated at amortized cost. Any Bonds not backed by other loans are stated at amortized cost using the interest method.
- (2) Unpaid Claims and loss adjustment expenses include an amount determined from individual case estimates and claim reports and an amount, based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

A. Disclosure for Insurers Upon Initial Implementation of Codification:

None

3. Business Combinations and Goodwill

On April 1, 2007, AMERIGROUP Tennessee, Inc. began offering healthcare coverage to Medicaid members in the State of Tennessee for the Middle-Grand region. As of December 31, 2007, AMERIGROUP Tennessee, Inc. served approximately 186,000 members in the Middle-Grand region. On November 1, 2007, we acquired the contract rights and substantially all of the assets of MMCC, including substantially all of the assets of Midsouth Health Solutions, Inc., a subsidiary of MMCC. As of December 31, 2007, AMERIGROUP Tennessee, Inc. served approximately 170,000 members under an ASO arrangement in the West Tennessee region as a result of this acquisition. We believe this acquisition will strengthen our ability to respond to the West Tennessee request for proposal ("RFP") that was released in January 2008. The State of Tennessee intends to convert the contracts in that region from an ASO arrangement to a risk arrangement. The acquisition resulted in goodwill and intangibles of \$9,735,950. The goodwill and intangibles are considered non-admitted for statutory purposes.

4. Discontinued Operations

None

5. Investments

The Company as of December 31, 2007 does not possess or reflect any Mortgage Loans, Debt Restructuring, Reverse Mortgages, Loan-Backed Securities or Repurchase Agreements.

6. Joint Ventures, Partnerships and Limited Liability Companies

Notes to Financial Statement

The Company as of December 31, 2007 had no investments in Joint Ventures, Partnerships and Limited Liability Companies that exceed 10% of its admitted assets.

7. Investment Income

The Company reports only investment income that is earned as due and accrued.

8. Derivative Instruments

The Company as of December 31, 2007 had no investments in Derivative Instruments.

9. Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs) at December 31:

	2007	2006
Total of all deferred income tax assets (admitted and non-admitted)	\$ 14,143,162	\$ 0
Total of all deferred income tax liabilities	\$ 0	\$ 0
Net deferred tax asset (liability)	\$ 14,143,162	\$ 0
Total deferred tax assets non-admitted in accordance with SSAP No.10		
	\$(14,143,162)	\$ 0
Total net admitted deferred tax asset (liability)	\$ 0	\$ 0
(Increase) decrease in deferred tax assets non-admitted	\$(14,143,162)	\$ 0

B. Unrecognized deferred tax liabilities
There are no temporary differences for which deferred tax liabilities are not recognized.

C. Current income taxes incurred consist of the following major components:

	2007	2006
Current year tax expense (benefit) (exclusive of items below)	\$ 0	\$ 0
Tax credits		
Prior year adjustments	\$ 0	\$ 0
Current income taxes incurred	\$ 0	\$ 0

Deferred income tax assets and liabilities consist of the following major components:

	2007	2006	Change
Deferred tax assets:			
Goodwill	\$ 3,773,323	\$ 0	\$ 3,773,323
Property & Equipment	\$ 1,153,138	\$ 0	\$ 1,153,138
Claims Unpaid	\$ 925,104	\$ 0	\$ 925,104
Contractual Allowances	\$ 707,642	\$ 0	\$ 707,642
Unearned Revenue	\$ 0	\$ 0	\$ 0
Federal NOL Carryforward	\$ 7,312,944	\$ 0	\$ 7,312,944
Other	\$ 271,011	\$ 0	\$ 271,011
Total deferred tax assets	\$ 14,143,162	\$ 0	\$ 14,143,162
Non-admitted deferred tax assets	\$(14,143,162)	\$ 0	\$(14,143,162)
Admitted deferred tax assets	\$ 0	\$ 0	\$ 0
Deferred tax liabilities:			
Other	0	0	0
Net Admitted Deferred Tax Assets (Liabilities)	\$ 0	\$ 0	\$ 0

D. The Company's income tax incurred and change in deferred income tax differs from the amount obtained by applying the federal statutory rate to income before income taxes. The significant items causing this difference are as follows:

	2007
Federal current income taxes incurred	\$ 0
Change in deferred income tax	\$(14,143,162)
Other	0
Total statutory income taxes	\$(14,143,162)

Notes to Financial Statement

Provision computed at statutory rate	\$ 0
	<u>35%</u>
Expected income tax expense (benefit) at 35% statutory rate	\$ 0
Nondeductible lobbying expenses	\$ 0
Change in non-admitted assets	\$ 0
Other nondeductible expenses	\$ 0
Prior year adjustment	<u>\$ 0</u>
Totals	<u>\$ 0</u>

E. Operating Loss Carryforward

- a. As of December 31, 2007, the separate company operating loss carryforward available for federal tax purposes is \$20,894,125.
- b. The amount of income taxes incurred that are available for recoupment in the event of future net losses are: current year \$0; first preceding year \$0.

F. Consolidated Federal Income Tax Return

- a. The Company’s Federal Income Tax Return is consolidated with the following entities:

AMERIGROUP Corporation (Parent)
AMERIGROUP Florida, Inc.
AMERIGROUP New Jersey, Inc.
AMERIGROUP Texas, Inc.
AMERIGROUP Virginia, Inc.
AMERIGROUP Ohio, Inc.
AMERIGROUP Maryland, Inc.
AMGP Georgia Managed Care Company, Inc.
PHP Holdings, Inc.
AMERIGROUP New York, LLC
AMERIGROUP Tennessee, Inc.
AMERIGROUP Community Care of New Mexico, Inc.
AMERIGROUP Community Care of South Carolina, Inc.
AMERIGROUP Health Solutions, Inc.
AMERIGROUP Nevada, Inc.

AMERIGROUP Corporation has a written agreement outlining the method of allocating federal income tax between the entities. The allocation is based upon separate return calculations for each member of the affiliated group. If a member has a net loss, current credit is provided to the extent that the member has previously paid taxes.

10. Information Concerning Parent, Subsidiaries and Affiliates

AMERIGROUP Corporation owns 100% of the outstanding shares of the Company and provides administrative and financial support services to the Company. Inter-company management fees are charged to the Company in accordance with a Management Services Agreement based on generally accepted accounting principles. As of December 31, 2007, the Company owed \$5,525,303 to AMERIGROUP Corporation. This amount was due to the difference between the estimated amount paid for Management fees to the parent and the final amount due. This amount was paid in January 2008. Also, as of December 31, 2007, the Company owed \$305,480 to AMERIGROUP Health Solutions, Inc. for disease management services.

11. Debt

The Company has no debt outstanding.

12. Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and Other Postretirement Benefits Plans

The Company’s employees have the option to participate in a deferred compensation plan sponsored by AMERIGROUP Corporation. All full-time and most part-time employees of AMERIGROUP Corporation and the Company may elect to participate in this plan. This plan is exempt from income taxes under Section 401(k) of the Internal Revenue Code. Participants may contribute a certain percentage of their compensation subject to maximum federal and plan limits. AMERIGROUP Corporation may elect to match a certain percentage of each employee’s contributions up to specified limits. For the year ended December 31, 2007, AMERIGROUP Corporation’s matching contribution under the plan was approximately \$3,748,000 and was not directly charged to the Company.